# **Budget Reductions Fiscal Year 2012-13**

As part of the Department's strategic goal to contain health care costs, the Department proposes to reduce Medicaid expenditures through a series of initiatives. These initiatives provide a combination of rate adjustments to realign incentives, service restrictions and financial efficiencies.

Medicaid program expenditures will be reduced by \$21,199,706 total funds and \$26,318,205 General Fund in FY 2012-13.

## **Medicaid Provider Rate Reduction**

• FY 2012-13 Class I nursing facility rates will be reduced by 1.5%. This includes hospice and PACE rates.

General Fund Reduction: \$4,512,338
Total Fund Reduction: \$9,024,676
Implementation date: July 1, 2012

### **Fee-for-Service Rate Reform**

• The Department will be implementing quality-based incentives and gainsharing reimbursement models for Behavior Health Organizations, Federally Qualified Health Centers, Regional Health Centers and primary care physicians.

General Fund Reduction: \$535,785
Total Fund Reduction: \$1,138,684
Implementation date: January 1, 2013

# **Medical Medical Benefits**

• Prior authorization requirements for Synagis were reviewed and updated in FY 2011-12. Additional adjustments to prior authorization requirements may occur prior to October 2012.

General Fund Reduction: \$205,100 Total Fund Reduction: \$419,772

Implementation date: November 2011

• The Department is offering coverage of injections that reduce the occurrence of preterm labor. Preventing preterm labor will reduce expenditure and improve client outcomes as preterm babies are more fragile and require more intensive levels of care.

General Fund Reduction: \$451,368
Total Fund Reduction: \$902,736
Implementation date: August 2011

• The number of physician-administered drugs on which the Department collects rebates has been increased.

General Fund Reduction: \$1,209,138
Total Fund Reduction: \$2,418,276
Implementation date: March 2012



• The Department reduced the rates paid, and implemented appropriate age limits for developmental and adolescent depression screenings to better align the rates with both Medicare and private insurers. Previously, the rate paid for developmental and depression screenings was well above the rates paid by Medicare and commercial insurance plans for these screenings.

General Fund Reduction: \$1,022,490
Total Fund Reduction: \$2,092,701
Implementation date: August 2011

• The Department has realigned the pricing and unit limits on three physician administered drugs (all antipsychotics) to achieve both consistency for billing and cost savings.

General Fund Reduction: \$451,368
Total Fund Reduction: \$902,736
Implementation date: August 2011

• Incentives' payments have been built into the non-emergent medical transportation program to increase client utilization of public transportation in the Denver-metro area. Public transportation is a significantly cost-effective alternative to private transportation such as taxis.

General Fund Reduction: \$102,398
Total Fund Reduction: \$209,574
Implementation date: January 2012

• Policies have been implemented to prevent the utilization of Seroquel for off label use. Seroquel is a drug used to treat schizophrenia. However, it is sometimes prescribed for treatment of insomnia and anxiety.

General Fund Reduction: \$943,568
Total Fund Reduction: \$1,931,172
Implementation date: July 1, 2012

• The Department is in the process of clarifying rules regarding eligibility for orthodontics. These clarifications are expected to reduce utilization of orthodontics for all cases except those where the client has a condition where speech or the ability to eat is significantly impaired.

General Fund Reduction: \$802,081 Total Fund Reduction: \$1,641,594 Implementation date: July 1, 2012

• The Department has implemented an initiative to provide access to less costly equipment for disabled clients that face challenges with speaking. New computing technology can be used as a substitute for the more expensive options that were previously available.

General Fund Reduction: \$240,391
Total Fund Reduction: \$492,000
Implementation date: March 1, 2012



• The Department initiated a competitive procurement process to acquire a sole source diabetic testing supply provider whereby the Department can leverage purchasing power to obtain significant rebates

General Fund Reduction: \$240,391
Total Fund Reduction: \$492,000
Implementation date: July 1, 2012

• The Department has initiated a pilot project to shift some outpatient surgery utilization from the outpatient hospital setting to the less costly ambulatory surgical setting.

General Fund Reduction: \$488,599
Total Fund Reduction: \$1,000,000
Implementation date: July 1, 2012

# **Medicaid Pharmacy Reimbursement**

• The Department is transitioning to an acquisition cost based reimbursement methodology for pharmacies and is updating the dispensing fee. The fiscal impact is not yet known.

Implementation date: FY 2012-13

### CHP+

• Client co payments for certain procedures will be increased.

General Fund Reduction: \$488,599
Total Fund Reduction: \$1,000,000
Implementation date: July 1, 2012

• The Department is implementing six quality surveys to maintain compliance with federal regulations.

General Fund Increase: \$82,835 Total Fund Increase: \$236,671 Implementation date: FY 2012-13

## **Financing**

 A portion of certified public expenditure based supplemental payments will be utilized for General Fund offset in the Medical Services Premiums line.

General Fund Reduction: \$606,506
Total Fund Increase: \$4,362,088
Implementation date: FY 2011-12

• Appropriated funding has been transferred from the Department of Public Health and Environment to the Department of Health Care Policy and Financing for the smoking cessation Quitline allowing for additional federal funding.

Total Fund Increase: \$1,373,470 Implementation date: FY 2011-12

• Funds of \$25 million will be transferred from the Hospital Provider Fee to offset General Fund expenditures in Medicaid. (Prior year bill: SB 11-212).



Funds of \$15.7 Medicaid to off outpatient hosp	million will be transferred from the Hospital Provider Fee to offset General Fund expenditures in set the loss of federal dollars associated with the certification of public expenditure at publicly owned itals.
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